

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Notes to Basic Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38
Schedule of Changes in Fiduciary Assets and Liabilities Agency Fund	4	39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-45

Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Ron Miller	President	2009
John Burrell	Vice President	2008
Paul Mead	Board Member	2009
Jennifer Mihalovich	Board Member	2008
Larrie Williams	Board Member	2007

Board of Education (After September 2007 Election)		
Paul Mead	President	2009
Larrie Williams	Vice President	2011
Ron Miller	Board Member	2009
John Burrell	Board Member	2008
Jennifer Mihalovich	Board Member	2008

School Officials		
Harold Hulleman	Superintendent (Resigned May 2008)	2008
Carl Reno	Superintendent (Appointed May 2008)	2008
Julie Wilson	Board Secretary and Business Manager	2008
Ahlors & Cooney Law Firm	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3060
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Southeast Warren Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District, Liberty Center, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009 on our consideration of Southeast Warren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southeast Warren Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,946,202 in fiscal 2007 to \$5,229,646 in fiscal 2008, while General Fund expenditures increased from \$5,036,334 in fiscal 2007 to \$5,316,593 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$176,454 in fiscal 2007 to a balance of \$89,507 in fiscal 2008, a 49.27% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 2.74% for fiscal year 2007 to 0.32% for fiscal year 2008. The School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Warren Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Warren Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Southeast Warren Community School District Annual Financial Report

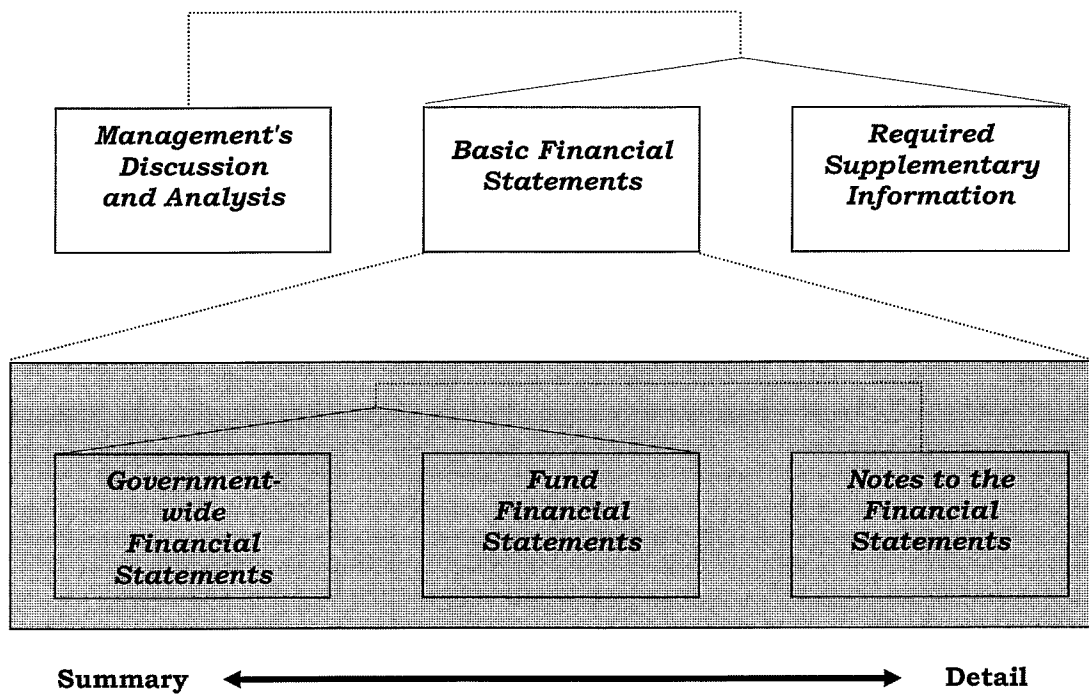


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,329,811	4,140,871	156,431	159,108	4,486,242	4,299,979	4.33%
Capital assets	4,597,393	4,304,487	99,464	93,747	4,696,857	4,398,234	6.79%
Total assets	8,927,204	8,445,358	255,895	252,855	9,183,099	8,698,213	5.57%
Long-term obligations	2,764,398	2,933,762	0	0	2,764,398	2,933,762	-5.77%
Other liabilities	3,348,116	2,857,191	38,795	27,653	3,386,911	2,884,844	17.40%
Total liabilities	6,112,514	5,790,953	38,795	27,653	6,151,309	5,818,606	5.72%
Net assets:							
Invested in capital assets, net of related debt	1,892,393	1,409,487	99,464	93,747	1,991,857	1,503,234	32.50%
Restricted	772,002	985,589	0	0	772,002	985,589	-21.67%
Unrestricted	150,295	259,329	117,636	131,455	267,931	390,784	-31.44%
Total net assets	\$ 2,814,690	2,654,405	217,100	225,202	3,031,790	2,879,607	5.28%

The District's combined net assets increased by 5.28% or \$152,183 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$213,587 or 21.67% over the prior year. The decrease in restricted net assets is attributable to the decrease in fund balance for the Capital Projects Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$122,853 or 31.44%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 as compared to the year ended June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 346,690	357,475	227,162	197,770	573,852	555,245	3.35%
Operating grants and contributions and restricted interest	741,845	562,877	134,611	120,706	876,456	683,583	28.22%
General revenues:							
Property tax	1,745,477	1,812,247	0	0	1,745,477	1,812,247	-3.68%
Income surtax	187,028	171,176	0	0	187,028	171,176	9.26%
Local option sales and service tax	329,564	335,453	0	0	329,564	335,453	-1.76%
Unrestricted state grants	2,672,575	2,557,735	0	0	2,672,575	2,557,735	4.49%
Other	104,354	181,172	2,854	6,179	107,208	187,351	-42.78%
Total revenues	6,127,533	5,978,135	364,627	324,655	6,492,160	6,302,790	3.00%
Program expenses:							
Governmental activities:							
Instruction	3,802,577	3,567,338	0	0	3,802,577	3,567,338	6.59%
Support services	1,634,535	1,599,685	27,270	0	1,661,805	1,599,685	3.88%
Non-instructional programs	0	0	345,459	315,630	345,459	315,630	9.45%
Other expenses	530,136	470,537	0	0	530,136	470,537	12.67%
Total expenses	5,967,248	5,637,560	372,729	315,630	6,339,977	5,953,190	6.50%
Changes in net assets	160,285	340,575	(8,102)	9,025	152,183	349,600	-56.47%
Net assets beginning of year	2,654,405	2,313,830	225,202	216,177	2,879,607	2,530,007	13.82%
Net assets end of year	\$ 2,814,690	2,654,405	217,100	225,202	3,031,790	2,879,607	5.28%

In fiscal 2008, local tax (property tax, income surtax and local option sales and services tax) and unrestricted state grants account for 80.53% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.92% of the revenue from business type activities.

The District's total revenues were approximately \$6.49 million of which \$6.13 million was for governmental activities and \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.00% in revenues and a 6.50% increase in expenses. The increase in expenses was related to the increase in instructional and support services costs during the year. The increase in revenues can be attributable to the increase in state source revenues during fiscal 2008.

Governmental Activities

Revenues for governmental activities were \$6,127,533 and expenses were \$5,967,248. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,802,577	3,567,338	6.59%	2,920,299	2,842,181	2.75%
Support services	1,634,535	1,599,685	2.18%	1,623,511	1,588,889	2.18%
Other expenses	530,136	470,537	12.67%	334,903	286,138	17.04%
Totals	<u>\$ 5,967,248</u>	<u>5,637,560</u>	<u>5.85%</u>	<u>4,878,713</u>	<u>4,717,208</u>	<u>3.42%</u>

- The cost financed by users of the District's programs was \$346,690.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$741,845.
- The net cost of governmental activities was financed with \$1,745,477 in property tax, \$187,028 in income surtax, \$329,564 in local option sales and service tax, \$2,672,575 in unrestricted state grants and \$60,883 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$364,627 and expenses were \$372,729. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Southeast Warren Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$831,844, below last year's ending fund balances of \$1,142,583.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Increases in state grant revenues during the year, resulted in an increase in revenues. The overall increase in fund revenues was not enough to offset the increase in fund expenditures during the year, thus ensuring the decline in General Fund balance.
- The Management Levy fund balance decreased from \$259,546 to \$226,349. Fund revenues were approximately slashed in half as compared to the previous year. The reduction in fund revenues was consciously done by the District through lowering the tax levied for this fund as a way of lessening the tax burden on residents of the District. Fund expenditures remained consistent with the previous year.

- The Capital Projects fund balance decreased from \$503,574 in 2007, to \$323,617 in 2008 as a result of paying for parking lot projects the District had been saving up for over the previous years. This represents a 35.74% decrease over the year ending 2007 fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$197,316 at June 30, 2007 to \$188,275 at June 30, 2008, representing a decrease of approximately 4.58%. The Day Care Fund net assets increased from \$27,886 in 2007, to \$28,825 in 2008, due to an increase in revenues during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$87,548 less than budgeted revenues, a variance of 1.33%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.79% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$218,478.

The original cost of the District's capital assets was \$7,579,847. Governmental funds account for \$7,359,585 with the remainder of \$220,262 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$29,104 at June 30, 2007 compared to \$293,017 at June 30, 2008. This increase is due to paving of the parking lots at both the Liberty Center and Milo sites.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 15,174	15,174	0	0	15,174	15,174	0.00%
Buildings	4,042,160	4,136,586	0	0	4,042,160	4,136,586	-2.28%
Land improvements	293,017	29,104	0	0	293,017	29,104	906.79%
Machinery and equipment	247,042	123,623	99,464	93,747	346,506	217,370	59.41%
Total	\$ 4,597,393	4,304,487	99,464	93,747	4,696,857	4,398,234	6.79%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$2,764,398 in general obligation bonds, early retirement and compensated absences. This represents a decrease of approximately 5.77% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,705,000 at June 30, 2008.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Levy Fund of \$43,268 at June 30, 2008.

The District also had total outstanding compensated absences of \$16,130 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,705,000	2,895,000	-6.56%
Early retirement	43,268	21,552	100.76%
Compensated absences	16,130	17,210	-6.28%
Total	<u>\$ 2,764,398</u>	<u>2,933,762</u>	<u>-5.77%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Southeast Warren Community Schools' employer benefit costs over the next four years.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2008, the Southeast Warren Community School District had 88.2 students enrolled out of the district and 30 students enrolled into the district.
- The Daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to help maintain the health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP (Note 5)	\$ 692,599	0	692,599
Other	1,325,870	122,283	1,448,153
Receivables:			
Property tax:			
Delinquent	34,582	0	34,582
Succeeding year	1,879,648	0	1,879,648
Income surtax	170,554	0	170,554
Accounts	14,010	15,759	29,769
Accrued ISCAP interest (Note 5)	263	0	263
Due from other governments	212,285	9,205	221,490
Inventories	0	9,184	9,184
Capital assets, net of accumulated depreciation (Note 6)	4,597,393	99,464	4,696,857
Total Assets	8,927,204	255,895	9,183,099
Liabilities			
Accounts payable	45,684	13,707	59,391
Salaries and benefits payable	571,982	22,709	594,691
Due to other governments	130,208	0	130,208
Accrued interest payable	20,703	0	20,703
ISCAP warrants payable (Note 5)	687,000	0	687,000
ISCAP accrued interest payable (Note 5)	263	0	263
ISCAP unamortized premium	11,782	0	11,782
Deferred revenue:			
Succeeding year property tax	1,879,648	0	1,879,648
Other	846	0	846
Unearned revenue	0	2,379	2,379
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds	195,000	0	195,000
Early retirement	43,268	0	43,268
Compensated absences	16,130	0	16,130
Portion due after one year:			
General obligation bonds	2,510,000	0	2,510,000
Total Liabilities	6,112,514	38,795	6,151,309
Net Assets			
Invested in capital assets, net of related debt	1,892,393	99,464	1,991,857
Restricted for:			
Statewide voluntary preschool grant	24,935	0	24,935
Beginning teacher mentoring	5,892	0	5,892
Salary improvement program	764	0	764
Professional development	8,326	0	8,326
Market factor incentives	4,168	0	4,168
Talented and gifted	23,726	0	23,726
Early Intervention	4,321	0	4,321
At-risk	801	0	801
Management levy	183,081	0	183,081
Physical plant and equipment levy	121,636	0	121,636
Capital projects	323,617	0	323,617
Debt service	27,253	0	27,253
Other special revenue purposes	43,482	0	43,482
Unrestricted	150,295	117,636	267,931
Total Net Assets	\$ 2,814,690	217,100	3,031,790

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest Services		Govern- mental Activities	Business- Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,317,924	157,144	516,929	(1,643,851)	0	(1,643,851)
Special instruction	892,566	39,663	28,974	(823,929)	0	(823,929)
Other instruction	592,087	139,568	0	(452,519)	0	(452,519)
	<u>3,802,577</u>	<u>336,375</u>	<u>545,903</u>	<u>(2,920,299)</u>	<u>0</u>	<u>(2,920,299)</u>
Support services:						
Student services	167,076	0	0	(167,076)	0	(167,076)
Instructional staff services	204,747	0	0	(204,747)	0	(204,747)
Administration services	483,917	0	0	(483,917)	0	(483,917)
Operation and maintenance of plant services	447,642	0	0	(447,642)	0	(447,642)
Transportation services	331,153	10,315	709	(320,129)	0	(320,129)
	<u>1,634,535</u>	<u>10,315</u>	<u>709</u>	<u>(1,623,511)</u>	<u>0</u>	<u>(1,623,511)</u>
Other expenditures:						
Facilities acquisitions	71,815	0	0	(71,815)	0	(71,815)
Long-term debt interest	132,532	0	0	(132,532)	0	(132,532)
AEA flowthrough	195,233	0	195,233	0	0	0
Depreciation(unallocated)*	130,556	0	0	(130,556)	0	(130,556)
	<u>530,136</u>	<u>0</u>	<u>195,233</u>	<u>(334,903)</u>	<u>0</u>	<u>(334,903)</u>
Total governmental activities	5,967,248	346,690	741,845	(4,878,713)	0	(4,878,713)
Business-Type activities:						
Support services:						
Administration services	1,557	0	0	0	(1,557)	(1,557)
Operation and maintenance of plant services	25,713	0	0	0	(25,713)	(25,713)
Non-instructional programs:						
Nutrition services	238,482	163,542	85,450	0	10,510	10,510
Day Care	106,977	63,620	48,091	0	4,734	4,734
Total business-type activities	<u>372,729</u>	<u>227,162</u>	<u>133,541</u>	<u>0</u>	<u>(12,026)</u>	<u>(12,026)</u>
Total	<u>\$ 6,339,977</u>	<u>573,852</u>	<u>875,386</u>	<u>(4,878,713)</u>	<u>(12,026)</u>	<u>(4,890,739)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 1,397,752	0	1,397,752	
Debt service			314,521	0	314,521	
Capital outlay			33,204	0	33,204	
Income surtax			187,028	0	187,028	
Local option sales and services			329,564	0	329,564	
Unrestricted state grants			2,672,575	0	2,672,575	
Unrestricted investment earnings			60,883	3,924	64,807	
Gain on sale of equipment			6,656	0	6,656	
Other general revenues			36,815	0	36,815	
Total general revenues			<u>5,038,998</u>	<u>3,924</u>	<u>5,042,922</u>	
Changes in net assets			160,285	(8,102)	152,183	
Net assets beginning of year			<u>2,654,405</u>	<u>225,202</u>	<u>2,879,607</u>	
Net assets end of year			<u>\$ 2,814,690</u>	<u>217,100</u>	<u>3,031,790</u>	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 692,599	0	0	692,599
Other	749,664	160,904	415,302	1,325,870
Receivables:				
Property tax:				
Delinquent	26,746	0	7,836	34,582
Succeeding year	1,432,485	0	447,163	1,879,648
Income surtax	170,554	0	0	170,554
Interfund	0	0	2,392	2,392
Accounts	8,849	0	5,161	14,010
Accrued ISCAP interest(Note 5)	263	0	0	263
Due from other governments	47,180	165,105	0	212,285
Total Assets	\$ 3,128,340	326,009	877,854	4,332,203
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 0	2,392	0	2,392
Accounts payable	33,713	0	11,971	45,684
Salaries and benefits payable	571,982	0	0	571,982
Due to other governments	130,208	0	0	130,208
ISCAP warrants payable(Note 5)	687,000	0	0	687,000
ISCAP accrued interest payable(Note 5)	263	0	0	263
ISCAP unamortized premium	11,782	0	0	11,782
Deferred revenue:				
Succeeding year property tax	1,432,485	0	447,163	1,879,648
Income surtax	170,554	0	0	170,554
Other	846	0	0	846
Total liabilities	3,038,833	2,392	459,134	3,500,359
Fund balances:				
Reserved for:				
Debt service	0	0	27,253	27,253
Statewide voluntary preschool grant	24,935	0	0	24,935
Beginning teacher mentoring	5,892	0	0	5,892
Salary improvement program	764	0	0	764
Professional development	8,326	0	0	8,326
Market factor incentives	4,168	0	0	4,168
Talented and gifted	23,726	0	0	23,726
Early Intervention	4,321	0	0	4,321
At-risk	801	0	0	801
Unreserved	16,574	323,617	391,467	731,658
Total fund balances	89,507	323,617	418,720	831,844
Total Liabilities and Fund Balances	\$ 3,128,340	326,009	877,854	4,332,203

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 831,844

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 4,597,393

Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (20,703)

Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period. 170,554

Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (2,764,398)

Net assets of governmental activities (page 14) \$ 2,814,690

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,527,744	329,564	397,590	2,254,898
Tuition	179,254	0	0	179,254
Other	102,392	6,286	156,959	265,637
Intermediate sources	2,833	0	0	2,833
State sources	3,270,048	0	317	3,270,365
Federal sources	140,719	0	0	140,719
Total revenues	5,222,990	335,850	554,866	6,113,706
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,243,206	0	52,658	2,295,864
Special instruction	892,566	0	0	892,566
Other instruction	434,139	0	157,948	592,087
	3,569,911	0	210,606	3,780,517
Support services:				
Student services	167,076	0	0	167,076
Instructional staff services	191,217	13,473	0	204,690
Administration services	509,478	0	10,106	519,584
Operation and maintenance of plant services	423,069	0	23,606	446,675
Transportation services	260,609	147,824	12,920	421,353
	1,551,449	161,297	46,632	1,759,378
Other expenditures:				
Facilities acquisitions	0	349,442	22,416	371,858
Long-term debt:				
Principal	0	0	190,000	190,000
Interest	0	0	134,115	134,115
AEA flowthrough	195,233	0	0	195,233
	195,233	349,442	346,531	891,206
Total expenditures	5,316,593	510,739	603,769	6,431,101
Deficiency of revenues under expenditures	(93,603)	(174,889)	(48,903)	(317,395)
Other financing sources(uses):				
Sale of equipment	6,656	0	0	6,656
Transfers in	0	0	5,068	5,068
Transfers out	0	(5,068)	0	(5,068)
Total other financing sources(uses)	6,656	(5,068)	5,068	6,656
Net change in fund balances	(86,947)	(179,957)	(43,835)	(310,739)
Fund balance beginning of year	176,454	503,574	462,555	1,142,583
Fund balance end of year	\$ 89,507	323,617	418,720	831,844

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ (310,739)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 494,448	
Depreciation expense	<u>(201,542)</u>	292,906

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows: 190,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,583

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,171

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ (21,716)	
Compensated absences	<u>1,080</u>	<u>(20,636)</u>

Changes in net assets of governmental activities (page 15) \$ 160,285

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 89,755	32,528	122,283
Accounts receivable	10,245	5,514	15,759
Due from other governments	9,205	0	9,205
Inventories	9,184	0	9,184
Capital assets, net of accumulated depreciation(Note 6)	96,210	3,254	99,464
Total Assets	214,599	41,296	255,895
Liabilities			
Accounts payable	1,236	12,471	13,707
Salaries and benefits payable	22,709	0	22,709
Unearned revenues	2,379	0	2,379
Total Liabilities	26,324	12,471	38,795
Net Assets			
Invested in capital assets	96,210	3,254	99,464
Unrestricted	92,065	25,571	117,636
Total Net Assets	\$ 188,275	28,825	217,100

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 163,542	63,620	227,162
OPERATING EXPENSES:			
Support services:			
Administration services:			
Services	41	40	81
Other	1,476	0	1,476
Operation and maintenance of plant services:			
Salaries	7,281	0	7,281
Benefits	997	0	997
Services	12,936	1,105	14,041
Supplies	0	3,394	3,394
Total support services	22,731	4,539	27,270
Non-instructional programs:			
Salaries	67,765	73,427	141,192
Benefits	24,151	15,405	39,556
Services	126	0	126
Supplies	132,268	15,306	147,574
Other	75	0	75
Depreciation	14,097	2,839	16,936
Total non-instructional programs	238,482	106,977	345,459
TOTAL OPERATING EXPENSES	261,213	111,516	372,729
OPERATING LOSS	(97,671)	(47,896)	(145,567)
NON-OPERATING REVENUES:			
State sources	2,854	0	2,854
Federal sources	82,596	48,091	130,687
Interest income	3,180	744	3,924
TOTAL NON-OPERATING REVENUES	88,630	48,835	137,465
Changes in net assets	(9,041)	939	(8,102)
Net assets beginning of year	197,316	27,886	225,202
Net assets end of year	\$ 188,275	28,825	217,100

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 163,301	0	163,301
Cash received from miscellaneous operating activities	635	59,571	60,206
Cash payments to employees for services	(91,383)	(88,832)	(180,215)
Cash payments to suppliers for goods or services	(135,549)	(17,898)	(153,447)
Net cash used in operating activities	(62,996)	(47,159)	(110,155)
Cash flows from non-capital financing activities:			
State grants received	2,854	0	2,854
Federal grants received	58,211	48,091	106,302
Net cash provided by non-capital financing activities	61,065	48,091	109,156
Cash flows from capital and related financing activities:			
Purchase of capital assets	(21,639)	(1,014)	(22,653)
Cash flows from investing activities:			
Interest on investments	3,180	744	3,924
Net increase(decrease) in cash and cash equivalents	(20,390)	662	(19,728)
Cash and cash equivalents at beginning of year	110,145	31,866	142,011
Cash and cash equivalents at end of year	\$ 89,755	32,528	122,283
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (97,671)	(47,896)	(145,567)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	15,180	0	15,180
Depreciation	14,097	2,839	16,936
Increase in inventories	(4,242)	0	(4,242)
(Increase)Decrease in accounts receivable	445	(4,049)	(3,604)
Increase in accounts payable	435	1,947	2,382
Increase in salaries and benefits payable	8,811	0	8,811
Decrease in unearned revenue	(51)	0	(51)
Net cash provided used in operating activities	\$ (62,996)	(47,159)	(110,155)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 89,755	32,528	122,283

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$15,180.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 57
Accounts receivable	<u>927</u>
Total Assets	<u><u>\$ 984</u></u>
 Liabilities	
Accounts payable	\$ 827
Due to other groups	<u>157</u>
Total Liabilities	<u><u>\$ 984</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Southeast Warren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Warren and Lucas counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Southeast Warren Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Warren Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the DayCare Fund. The School Nutrition Fund is used to account for the food service operations of the District while the DayCare Fund is used to account for childcare services provided by the District to employees and other families in the community.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items + are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 1,341,190</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 5,068</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The amount transferred from the Capital Projects Fund to the Debt Service Fund is Lucas County local option sales and service tax that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

(4) Interfund Receivable/Payable

At June 30, 2008 the interfund receivable and payable consisted of the following:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	<u>\$ 2,392</u>

The amount of the interfund payable from the Capital Projects Fund to the Debt Service Fund is Lucas County local option sales and service tax for the months of July and August that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 692,599	263	687,000	263

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	400,000	400,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 207,998	22,653	10,389	220,262
Less accumulated depreciation	114,251	16,936	10,389	120,798
Business-type activities capital assets, net	\$ 93,747	5,717	0	99,464

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,174	0	0	15,174
Total capital assets not being depreciated	15,174	0	0	15,174
Capital assets being depreciated:				
Buildings	5,776,856	20,300	0	5,797,156
Improvements other than buildings	55,048	279,743	0	334,791
Machinery and equipment	1,049,059	194,405	31,000	1,212,464
Total capital assets being depreciated	6,880,963	494,448	31,000	7,344,411
Less accumulated depreciation for:				
Buildings	1,640,270	114,726	0	1,754,996
Improvements other than buildings	25,944	15,830	0	41,774
Machinery and equipment	925,436	70,986	31,000	965,422
Total accumulated depreciation	2,591,650	201,542	31,000	2,762,192
Total capital assets being depreciated, net	4,289,313	292,906	0	4,582,219
Governmental activities capital assets, net	\$ 4,304,487	292,906	0	4,597,393

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 344
Support services:	
Administration services	9,316
Operation and maintenance of plant services	4,454
Transportation service	56,872
	70,986
Unallocated depreciation	130,556
Total governmental activities depreciation expense	\$ 201,542
Business-type activities:	
Food services	\$ 14,097
Day Care	2,839
Total business-type activities depreciation expense	\$ 16,936

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,895,000	0	190,000	2,705,000	195,000
Early retirement	21,552	43,268	21,552	43,268	43,268
Compensated absences	17,210	16,130	17,210	16,130	16,130
Total	\$ 2,933,762	59,398	228,762	2,764,398	254,398

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bond indebtedness are as follows:

Year	Issue date October 14, 1998			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2009	4.30 % \$	195,000	124,215	319,215
2010	4.30	205,000	115,830	320,830
2011	4.38	215,000	107,015	322,015
2012	4.40	220,000	97,609	317,609
2013	4.50	230,000	87,929	317,929
2014	4.50	245,000	77,579	322,579
2015	4.63	255,000	66,554	321,554
2016	4.70	265,000	54,760	319,760
2017	4.80	280,000	42,305	322,305
2018	4.80	290,000	28,865	318,865
2019	4.90	305,000	14,944	319,944
Total		\$ 2,705,000	817,605	3,522,605

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$195,476, \$177,974 and \$170,299, respectively, equal to the required contributions for each year.

(9) Risk Management

Southeast Warren Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$195,233 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,699,789	231,086	2,930,875	3,124,753	3,124,753	(193,878)
Intermediate sources	2,833	0	2,833	0	0	2,833
State sources	3,270,365	2,854	3,273,219	3,170,628	3,170,628	102,591
Federal sources	140,719	130,687	271,406	270,500	270,500	906
Total revenues	6,113,706	364,627	6,478,333	6,565,881	6,565,881	(87,548)
Expenditures:						
Instruction	3,780,517	0	3,780,517	3,965,833	3,965,833	185,316
Support services	1,759,378	27,270	1,786,648	1,863,667	1,963,667	177,019
Non-instructional programs	0	345,459	345,459	519,433	519,433	173,974
Other expenditures	891,206	0	891,206	1,252,036	1,252,036	360,830
Total expenditures	6,431,101	372,729	6,803,830	7,600,969	7,700,969	897,139
Excess(deficiency) of revenues over(under) expenditures	(317,395)	(8,102)	(325,497)	(1,035,088)	(1,135,088)	809,591
Other financing sources, net	6,656	0	6,656	10,000	10,000	(3,344)
Excess(deficiency) of revenues over(under) expenditures	(310,739)	(8,102)	(318,841)	(1,025,088)	(1,125,088)	806,247
Balance beginning of year	1,142,583	225,202	1,367,785	1,394,506	1,394,506	(26,721)
Balance end of year	\$ 831,844	217,100	1,048,944	369,418	269,418	779,526

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District adopted one budget amendment increasing total expenditures by \$100,000.

OTHER SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
			Physical			Other
	Manage-	Student	Plant and	Total	Debt	Nonmajor
	ment	Activity	Equipment	Special	Service	Governmental
	Levy		Levy	Revenue		Funds
Assets						
Cash and pooled investments	\$ 225,359	50,292	120,981	396,632	18,670	415,302
Receivables:						
Property tax:						
Current year delinquent	990	0	655	1,645	6,191	7,836
Succeeding year	100,000	0	35,548	135,548	311,615	447,163
Interfund	0	0	0	0	2,392	2,392
Accounts	0	5,161	0	5,161	0	5,161
Total Assets	\$ 326,349	55,453	157,184	538,986	338,868	877,854
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	11,971	0	11,971	0	11,971
Deferred revenue:						
Succeeding year property tax	100,000	0	35,548	135,548	311,615	447,163
Total Liabilities	100,000	11,971	35,548	147,519	311,615	459,134
Fund balances:						
Reserved for debt service	0	0	0	0	27,253	27,253
Unreserved	226,349	43,482	121,636	391,467	0	391,467
Total fund balances	226,349	43,482	121,636	391,467	27,253	418,720
Liabilities and Fund Balances	\$ 326,349	55,453	157,184	538,986	338,868	877,854

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Manage-	Student	Physical	Total	Debt	Other
	ment	Activity	Plant and	Special	Service	Nonmajor
	Levy		Equipment	Revenue		Governmental
			Levy			Funds
REVENUES:						
Local sources:						
Local tax	\$ 49,865	0	33,204	83,069	314,521	397,590
Other	13,254	137,380	3,896	154,530	2,429	156,959
State sources	40	0	27	67	250	317
TOTAL REVENUES	63,159	137,380	37,127	237,666	317,200	554,866
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	52,658	0	0	52,658	0	52,658
Other instruction	0	157,948	0	157,948	0	157,948
Support services:						
Administration services	10,106	0	0	10,106	0	10,106
Operation and maintenance						
of plant services	23,032	574	0	23,606	0	23,606
Transportation services	10,560	0	2,360	12,920	0	12,920
Other expenditures:						
Facilities acquisitions	0	0	22,416	22,416	0	22,416
Long-term debt:						
Principal	0	0	0	0	190,000	190,000
Interest	0	0	0	0	134,115	134,115
TOTAL EXPENDITURES	96,356	158,522	24,776	279,654	324,115	603,769
Excess(Deficiency) of revenues						
over(under) expenditures	(33,197)	(21,142)	12,351	(41,988)	(6,915)	(48,903)
Other financing sources:						
Transfers in	0	0	0	0	5,068	5,068
Net change in fund balances	(33,197)	(21,142)	12,351	(41,988)	(1,847)	(43,835)
Fund balance beginning of year	259,546	64,624	109,285	433,455	29,100	462,555
Fund balance end of year	\$ 226,349	43,482	121,636	391,467	27,253	418,720

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,047	1,167	1,121	2,093
Vocal Music	0	52	52	0
Vocal-NY Trip	5,234	33,714	38,948	0
Instrumental Music	0	805	805	0
Band Trip-HS	637	0	60	577
Band Trip-JH	693	0	95	598
I-Music Flags	152	1,667	1,802	17
Cheerleaders	1,165	1,745	2,644	266
JH Cheer	783	799	826	756
Dance Team	1,820	2,518	2,488	1,850
Dance Team-JH	123	0	0	123
Tournaments	1,561	2,591	2,960	1,192
Basketball-Boys	4,785	3,844	3,649	4,980
Basketball-Girls	2,727	1,896	2,874	1,749
Volleyball	0	2,180	2,180	0
Volleyball Camp	214	536	368	382
Weightlifting	3,681	2,226	5,000	907
Track	0	581	581	0
Golf	0	912	912	0
Football	7,235	7,940	4,224	10,951
Baseball	0	5,280	5,280	0
Wrestling	2,270	2,058	4,328	0
Softball	2,076	6,114	5,841	2,349
Class of 08	1,016	3,577	4,544	49
Class of 07	0	5,540	5,041	499
Art Club	123	0	0	123
FBLA	0	1,511	1,509	2
FFA	952	23,817	19,742	5,027
FCCLA	97	750	847	0
Nat. Honor Society	381	781	352	810
Spanish Club	984	0	0	984
Yearbook	(4,142)	3,967	6,073	(6,248)
SH Student Council	3,089	22	1,466	1,645
Est. Comm. Pride	235	30	249	16
ELP Trips	819	477	407	889
JR-SR High Activities	7	924	0	931
High School Fundraiser	0	5,771	0	5,771
JEL/SADD	440	136	79	497
Elem Yearbook	1,358	1,800	1,353	1,805
Primary Activities	727	296	100	923
Intermed. Activities	915	463	409	969
Activity Support	19,308	0	19,308	0
Interest Income	0	2,731	2,731	0
General Athletics	1,107	6,162	7,269	0
Athletic Boosters	5	0	5	0
Total	\$ 64,624	137,380	158,522	43,482

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 1,168	57,455	58,566	57
Accounts receivable	0	927	0	927
Total assets	\$ 1,168	58,382	58,566	984
Liabilities				
Accounts payable	\$ 0	827	0	827
Due to other groups	1,168	57,455	58,466	157
Total liabilities	\$ 1,168	58,282	58,466	984

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,254,898	2,292,590	2,216,414	2,184,579	1,935,298
Tuition	179,254	188,992	196,436	192,380	150,073
Other	265,637	313,790	296,544	232,777	246,347
Intermediate sources	2,833	3,406	0	0	0
State sources	3,270,365	2,983,104	2,814,914	2,724,681	2,605,662
Federal sources	140,719	129,633	163,051	163,066	180,250
Total	\$ 6,113,706	5,911,515	5,687,359	5,497,483	5,117,630
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,295,864	2,063,809	1,914,385	1,824,019	1,896,490
Special instruction	892,566	953,522	900,548	811,582	751,279
Other instruction	592,087	548,885	578,639	523,212	442,153
Support services:					
Student services	167,076	146,860	149,252	146,397	89,499
Instructional staff services	204,690	211,074	166,824	169,643	143,206
Administration services	519,584	507,387	509,590	461,651	441,472
Operation and maintenance of plant services	446,675	442,698	458,116	404,320	403,734
Transportation services	421,353	261,682	289,579	191,592	214,966
Other expenditures:					
Facilities acquisitions	371,858	93,361	85,882	184,592	6,069
Long-term debt:					
Principal	190,000	180,000	213,705	160,000	155,000
Interest	134,115	143,115	158,693	159,615	167,265
AEA flow-through	195,233	184,399	171,073	167,064	165,576
Total	\$ 6,431,101	5,736,792	5,596,286	5,203,687	4,876,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Southeast Warren Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Warren Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Warren Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southeast Warren Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southeast Warren Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southeast Warren Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Warren Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Warren Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Southeast Warren Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Warren Community School District and other parties to whom Southeast Warren Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Warren Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-08 Purchase Orders - We noted during our audit that the District currently uses purchases orders in the purchasing process, however the Student Activity Fund had instances of no completed purchase orders for products and services received by the District.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - District has reviewed purchase order procedures with District employees to ensure their proper usage in the future.

Conclusion - Response accepted.

- I-C-08 Checks Outstanding - We noted during our audit that the District had checks outstanding for over a year included in the bank reconciliations of the Student Activity Fund and Nutrition Fund that have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District has made persons responsible for the reconciliations of the Activity and Nutrition Funds aware of the outstanding checks and the suggested recommendation will be followed.

Conclusion - Response accepted.

- I-D-08 Dual Signatures - Chapter 291.1 of the Code of Iowa states in part: "The president or the president's designee shall sign, using an original or facsimile signature, all school district warrants drawn as provided by law. The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on behalf of the president."

District checks were being signed by the Board President and the District Secretary; however, we noted during our audit, that the District Secretary had control over her own signature stamp as well as the Board President's. The District Secretary having control over both signature stamps negates the effectiveness and purpose of requiring dual signatures on District checks.

Recommendation - To be consistent with the Code of Iowa requirement and to strengthen internal control, the Board President should either personally sign checks or initial next to the signature stamp. If the Board President is not available to sign or stamp the check, the President's designee (another Board Member or employee of the District) should stamp the check with the Board President's stamp and initial next to it to document who applied the signature. If the District continues the practice of the Board Secretary affixing both signatures to checks, an independent person should review and initial each check where this situation occurs. The District's Board of Directors should develop a policy regarding the possession and use of signature stamps in the absence of the District Secretary and/or the Board President.

Response - The District will have the Board President designate someone other than the Board Secretary to have control over the signature stamp and the recommendation above will be followed.

Conclusion - Response accepted.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - At the year ended June 30, 2008, there was one account in the Student Activity Fund that had a negative balance of \$6,248.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - Adjustments are being made by the yearbook sponsor to ensure the account will make a profit in future years in an effort to gradually reduce the deficit.

Conclusion - Response accepted.